

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-11 ISO-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 FEA-02 INT-08 PA-04 PRS-01 USIA-15

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R 280610Z JAN 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8619

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L KUWAIT 0338

DEPT PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, KU

SUBJECT: NEW U.S. BANK ACTIVITY KUWAIT

SUMMARY: BY END OF FEBRUARY, TWO KUWAIT BANKS WILL BE MANAGED BY AMERICAN BANKS, THE FIRST AMERICAN BANKS TO HAVE ANY FORMAL ACTIVITY IN KUWAIT ITSELF. IN ADDITION, GOK LIKELY, TOGETHER WITH OTHERS, TO START NEW BANK TO BE OWNED IN PART AND MANAGED BY A MAJOR AMERICAN BANK. CURRENT LEVEL OF INTEREST AMONG US BANKS IN OPERATING HERE IN ONE WAY OR ANOTHER EXTREMELY HIGH. END SUMMARY.

1. FOR FIRST TIME AMERICAN BANKS ARE ON VERGE TAKING
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OVER MANAGEMENT RESPONSIBILITIES FOR TWO KUWAIT BANKS.

CHASE MANHATTAN HAS REACHED AGREEMENT WITH COMMERCIAL BANK OF KUWAIT, SECOND LARGEST KUWAITI COMMERCIAL BANK, TO MANAGE THE KUWAIT INSTITUTION WHICH HAD SUFFERED SERIOUS EXCHANGE LOSSES IN 1973 AND WHOSE OWNERSHIP HAD BECOME DISENCHANGED WITH BRITISH MANAGEMENT. IN ADDITION, BANK OF AMERICA WILL MANAGE NEWLY FORMED REAL ESTATE BANK, MORTGAGE BANK WHICH MANY BELIEVE WILL EVOLVE INTO KUWAIT'S SIXTH COMMERCIAL BANK. REAL ESTATE BANK SCHEDULED TO BEGIN OPERATIONS IN MID-FEBRUARY.

2. WE HAVE BEEN INFORMED THAT FIRST NATIONAL BANK OF BOSTON HAS BEEN NEGOTIATING WITH OFFICIALS OF GOK REGARDING ESTABLISHMENT OF NEW BANK OT BE CALLED BANK OF KUWAIT AND THE ARAB WORLD. IF FIRST NATIONAL BANK OF BOSTON DECIDES TO ACCEPT THE PROPOSAL MADE BY THE KUWAITIS, IT WILL MANAGE AND HAVE PARTIAL OWNERSHIP OF THE NEW BANK. THE BANK WILL BE HEADQUARTERED IN BEIRUT AND IS EXPECTED TO SEEK PERMISSION TO ESTABLISH A BRANCH IN THE UAE, MOST LIKELY IN DUBAI, IN ADDITION TO THE GOK AND THE FIRST NATIONAL BANK OF BOSTON, THE OWNERS WILL INCLUDE THE GOVERNMENTS OF LEBANON AND QATAR.

3. UNDERSTAND THAT CONTINENTAL ILLINOIS NATIONAL BANK IS ALSO SEEKING TO ENTER INTO A RELATIONSHIP WITH KUWAITI FINANCIAL INSTITUTIONS. CONTINENTAL RECENTLY LOST OUT TO BANK OF AMERICA IN BID TO MANAGE THE REAL ESTATE BANK. FIRST NATIONAL CITY BANK PLANNING A MAJOR EFFORT TO INCREASE ITS LEVEL OF ACTIVITIES IN THE GULF. IT IS TRYING TO FIND SOME WAY TO HAVE REPRESENTATION IN KUWAIT AND IS CONSIDERING OPENING A BRANCH OF ITS OWN IN OMAN. IN ADDITION, IT INTENDS TO ASSIGN A NUMBER OF RELATIVELY HIGH RANKING OFFICIALS OF THE BANK AT ITS REGIONAL OFFICES IN BAHRAIN AS PART OF REORGANIZATION.

4. OUR IMPRESSION IS THAT KUWAITIS ARE ALSO INTERESTED IN EXPANDED TIES WITH US BANKS, AS INDICATED BY THE POSITION THEY HAVE TAKEN IN THEIR TALKS WITH THE FIRST NATIONAL BANK OF BOSTON. MOREOVER, DURING CHASE MANHATTAN CHAIRMAN DAVID ROCKEFELLER'S VISIT HERE, NOTWITHSTANDING SEVERE CRITICISM MADE BY SENIOR KUWAITI

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OFFICIALS CONCERNING US POLICIES IN THE REGION, HE WAS ASKED TO MANAGE A NEW \$100 MILLION PORTFOLIO FOR THE GOK. ROCKEFELLER EXPECTED ONLY \$30 MILLION PORTFOLIO. 5. COMMENT: IN CONTRAST TO POSITIONS LEADING AMERICAN BANKERS HAD TAKEN PREVIOUSLY, THEY NOW RECOGNIZE IMPORTANCE OF HAVING A PRESENCE IN KUWAIT OR AT LEAST HAVING FORMAL BANKING RELATIONSHIP WITH THE KUWAITIS, PREFERABLY WITH GOK AS DOES THE MORGAN BANK AS PART OWNER

AND MANAGER OF THE BANK AL-MASHRAQ. WE EXPECT THAT AS
RESULT OF THESE NEW RELATIONS THERE WILL BE A CONSIDERABLE
STRENGTHENING OF FINANCIAL TIES BETWEEN THE KUWAITI
AND AMERICAN FINANCIAL COMMUNITIES. WE ALSO ANTICIPATE
THAT AMERICAN BANKS MAY BRING SOME NEW TECHNIQUES TO
BANKING IN KUWAIT THEREBY IMPROVING THE QUALITY OF
BANKING HERE. IF THIS IS TRUE, WE WOULD EXPECT THAT
THERE WILL BE ADDITIONAL OPPORTUNITIES FOR AMERICAN
BANKS TO HAVE A PRESENCE IN KUWAIT AND TO STRENGTHEN THEIR
OVERALL POSITION WITH RESPECT TO KUWAITI FINANCE AND
INVESTMENT.
STOLTZFUS

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